

Early Retirement

Kenny Retire, Age	51
Membership Service	25 Years
Service Credit.....	25 Years
Highest Average Compensation (HAC)	\$1,750 per month
Account Balance at Retirement	\$42,796
Contingent Annuitant's Age.....	51

Because Kenny has 25 years of Membership Service, the basic formula will use the **2%** factor. If Kenny had less than 25 years of Membership Service, the **1.7857%** factor would be used. (See page 26 for an explanation of the basic formula.)

Option 1 Formula:

$$\begin{aligned} & \mathbf{2\% \times Service\ Credit \times HAC \times Early\ Retirement\ Factor} \\ & \mathbf{2\% \times 25 \times \$1,750 \times 0.70 = \$612.50/month} \end{aligned}$$

The early retirement factor is 0.70 for Kenny. Two factors could apply to Kenny, either 0.556 for age 51 or 0.70 for 25 years of service credit. MPERA will use 0.70 because it gives Kenny a larger benefit. See Table 1 on page 27 for a list of early retirement factors.

Under Payment Option 1, Kenny will receive a monthly benefit of \$612.50 plus GABA increases when eligible, for life. Upon his death, monthly payments will cease. If the total benefits paid to Kenny are less than his balance at retirement, the remainder of his account will be paid in a lump-sum to his designated beneficiary. The account balance will be equal to his contributions plus interest at retirement minus all benefits paid to him.

Option 2 Formula: Option 1 Amount x Option 2 Factor

$$\mathbf{\$612.50 \times 0.8775 = \$537.47 \text{ per month}}$$

If Kenny elects Option 2, he will receive a monthly benefit of \$537.47, plus GABA increases when eligible, for life. Upon his death, Kenny's contingent annuitant will receive the same monthly benefit Kenny was receiving, plus increases when eligible, for life.

Option 3 Formula: Option 1 Amount x Option 3 Factor

$$\text{\$612.50} \times 0.9382 = \text{\$574.65 per month}$$

If Kenny elects Option 3, he will receive a monthly benefit of \$574.65 plus GABA increases when eligible, for life. Upon his death, Kenny's contingent annuitant will receive **one-half** of the same monthly benefit Kenny was receiving, plus increases when eligible, for life.

Option 4 Formulas:

10-Year certain: Option 1 Amount x 0.992

$$\text{\$612.50} \times 0.992 = \text{\$607.60 per month}$$

If Kenny chooses the 10-year certain payment option, he will receive \$607.60 per month, plus GABA increases when eligible, for life. If he dies before the 10-year period ends, then his contingent annuitant(s) will collectively receive the same benefit Kenny was receiving. Those payments will increase annually and will continue until the end of the 10-year period. If Kenny dies after the 10-year period ends, all payments end. His contingent annuitant(s) will not receive any benefit payments.

20-Year certain: Option 1 Amount x 0.966

$$\text{\$612.50} \times 0.966 = \text{\$591.68 per month}$$

If Kenny chooses the 20-year certain payment option, he will receive \$591.68 per month, plus GABA increases when eligible, for life. If he dies before the end of the 20-year period, then his contingent annuitant(s) will collectively receive the same benefit Kenny was receiving. Those payments will increase annually and will continue until the end when the 20-year period. If Kenny dies after the 20-year period ends, all payments end. His contingent annuitant(s) will not receive any benefit payments.

The 10-year and 20-year periods begin on the effective date of your retirement. **Factors used for 10-year or 20-year periods are based only on the retiree's age.**